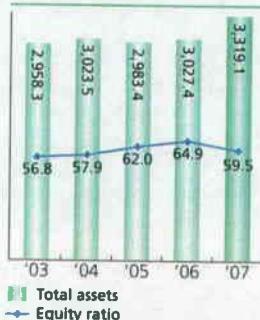


Financial Position

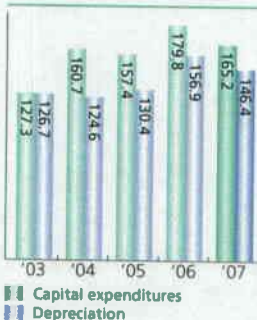
Total Assets and Equity Ratio

(Billions of yen / %)



Capital Expenditures and Depreciation

(Billions of yen)

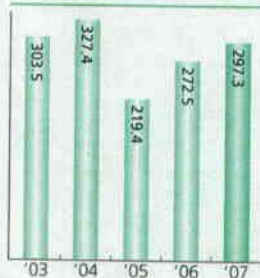


(Figures do not include amounts for rental equipment handled by the Document Solutions segment.)

Cash Flow Analysis

Net Cash Provided by Operating Activities

(Billions of yen)



Year ended March 31

Assets, Liabilities, and Shareholders' Equity

Total assets at the end of the fiscal year amounted to ¥3,319.1 billion, up ¥291.7 billion, or 9.6%, from the previous fiscal year-end. Total liabilities rose ¥286.2 billion, or 30.3%, to ¥1,230.6 billion, while shareholders' equity increased ¥13.0 billion, or 0.7%, to ¥1,976.5 billion. As a result, the liquidity ratio rose 13.0 percentage points, to 202.9%, the debt ratio increased 14.2 percentage points, to 62.3%, and the equity ratio dropped 5.4 percentage points, to 59.5%.

Capital Expenditures and Depreciation

Capital expenditures during the fiscal year declined 8.1%, or ¥14.6 billion, to ¥165.2 billion. In the field of flat panel display materials, Fujifilm proceeded with the construction of new plants to boost production capacity at FUJIFILM Kyushu Co., Ltd., a major manufacturing base. In addition, the Company started building a new plant with R&D functions at the Ashigara site of the Kanagawa Factory.

Total depreciation (excluding intangible fixed assets and depreciation of rental equipment in the Document Solutions segment) declined 6.8%, or ¥10.5 billion, to ¥146.4 billion.

Net cash provided by operating activities amounted to ¥297.3 billion, an increase of ¥24.7 billion. During the fiscal year under review, although there were factors that reduced cash, such as a decrease in impairment losses for long-lived assets and goodwill and a decline in depreciation and amortization, cash was boosted by such factors as a decline in value of investment securities and increase in notes and accounts payable—trade.

Net cash used in investing activities totaled ¥298.0 billion, an increase of ¥25.9 billion. Primary applications of cash included ¥172.6 billion for purchases of property, plant and equipment, ¥146.9 billion for purchases of marketable and investment securities and other investments, and ¥20.5 billion for purchases of software. These items were offset in part by ¥109.1 billion in proceeds from sales and maturities of marketable and investment securities and other investments. In addition, ¥45.7 billion was used for acquisitions of businesses and minority interests, net of cash acquired.

Net cash provided by financing activities totaled ¥158.3 billion, up ¥238.6 billion. An increase in proceeds from long-term debt and an increase in short-term debt, net were the main inflows during the fiscal year under review. Cash dividends paid by the parent company amounted to ¥12.8 billion, approximately the same as in the previous fiscal year.

As a result of these factors and the effect of exchange rate changes on cash and cash equivalents, cash and cash equivalents at the end of the fiscal year under review amounted to ¥384.7 billion, up ¥166.1 billion from the previous fiscal year-end.

Distribution of Profits

Fujifilm's basic policy regarding the distribution of profits is to provide shareholders with stable dividends as well as to maintain sufficient internal reserves to strengthen the management foundation, permitting it to support an aggressive expansion of business while being prepared for sudden changes in the business environment.

In line with this basic policy, the Company has set cash dividends applicable to the fiscal year at ¥25 per share.

Fujifilm has intensively carried out structural reforms and growth strategies in line with the VISION75 medium-term management plan. Consequently, we estimate that consolidated operating income will reach a record high of ¥200 billion in the fiscal year ending March 31, 2008. Taking advantage of the opportunity provided by this sharp improvement in business performance, as we intend to proactively return growing profits to shareholders, we have decided to revise our basic policy on the distribution of dividends to shareholders from the fiscal year ending March 31, 2008 onward. Details of the new policy are as follows.

Basic Policy on the Distribution of Profits to Shareholders

In addition to reflecting consolidated performance trends, dividend levels are to be determined based on consideration of such factors as the level of cash required for capital and R&D investments needed to support future business expansion as well as other measures aimed at increasing the Company's corporate value in the future. As a means of supplementing dividends, the Company will also flexibly move to employ surplus cash flow to buy back shares in a manner that contributes to greater capital efficiency. Considering the current time as a period of "Second Foundation," the Company is intensively implementing capital investments, M&A transactions, and R&D investments in its priority business fields. In view of this situation, the Company has targeted a return to shareholders ratio of 25%, which represents the ratio of total of cash dividends and share buybacks to consolidated net income.

Business-Related and Other Risks

The following types of risk have the potential for affecting the Fujifilm Group's financial condition and business performance. Text referring to the future is written from the perspective of the end of the fiscal year under review.

(1) Impact of Economic and Exchange Rate Trends on Performance

Fujifilm provides products and services in diverse markets throughout the world, and the share of consolidated sales accounted for by overseas sales was approximately 53% in the fiscal year under review. There is a possibility that performance will be greatly affected by economic conditions throughout the world and particularly by currency exchange rates.

To reduce the impact of currency exchange rates on performance, Fujifilm undertakes hedging measures, primarily using forward exchange contracts for the U.S. dollar and the euro, but currency exchange fluctuations, depending on their degree, still could have an impact on performance.

(2) Competition in Markets

Fujifilm provides diverse digital-related products and services—including digital cameras and other consumer products as well as such commercial-use products as those for medical, graphic arts, and office applications—and, in recent years, the rising and broadening use of digital and networking technologies has led to a sustained rise in the share of digital products and services. In these business fields, although business volume is expanding, the intensification of competition with electronic equipment manufacturers and other companies is leading to falls in the selling prices of products during short periods of time and is also shortening product life cycles. By affecting sales, increasing R&D costs, and exerting other effects, these trends have the potential for reducing profitability. In the future, Fujifilm will continually work to develop products incorporating new technologies and to support the sales of such products with marketing activities, and the success or failure of these activities is expected to have an influence on performance.

(3) Patents and Other Intellectual Property

Fujifilm has diverse patents, know-how, and other intellectual property that enable competitive benefits, but such future events as the expiration of patents and emergence of replacement technologies may make it difficult to maintain competitive superiority.

In the wide range of business fields with which Fujifilm is associated, there are numerous companies with sophisticated and complex technologies, and the number of these technologies is rising rapidly. Developing Fujifilm's business operations sometimes may require the use of other companies' patents, know-how, and other intellectual property, and when negotiations for the use of such intellectual property are not successful there is a potential for performance to be affected. In addition, Fujifilm is developing its business while constantly taking care not to infringe on the intellectual property of other companies, but it must be recognized that in reality it is difficult to completely eliminate the risk of becoming involved with litigation. If Fujifilm becomes involved with litigation, not only litigation costs would arise but also the potential for compensatory payment costs that could have an influence on performance.

(4) Public Regulations

In the regions where Fujifilm is developing its operations, diverse government regulations exist that apply to Fujifilm's operations, such as business and investment permits as well as limits and regulations related to imports and exports. Moreover, Fujifilm is subject to commercial, fair trade, patent, consumer protection, tax, foreign exchange administration, environmental, and other laws and regulations.

If Fujifilm were not to strictly comply with one of these laws or regulations, it could be subject to fines. Moreover, it is possible that these laws and regulations might be tightened or greatly changed, and in such cases it is impossible to deny the possibility that Fujifilm's activities could be limited or that Fujifilm might have to bear greater costs to attain compliance or respond to the changes. Accordingly, these laws and regulations have the potential for affecting Fujifilm's performance.

(5) Manufacturing Operations

As Fujifilm engages in manufacturing operations throughout the world, it is possible that provision of Fujifilm's products could be halted by earthquakes or other natural disasters, the discontinuation of the manufacture of raw materials and components, the bankruptcy of suppliers, terrorist activities, wars, labor strikes, major disease outbreaks, and other factors that cause disorder. It is also possible that a rapid rise in the price of raw materials could affect Fujifilm's performance.

Fujifilm manufactures its products in conformance with rigorous quality control standards, but the possibility of defective products does exist. If Fujifilm were to have to respond to such an event by undertaking product recalls or other actions, Fujifilm's performance might be affected.

(6) Structural Reforms

Fujifilm is proceeding with structural reform measures that involve the manufacturing, marketing, and service activities of Group companies and mergers of Group companies, and it intends to continue such measures with the goal of striving to increase management efficiency. Depending on the degree of progress in structural reforms, it is possible that Fujifilm might bear additional costs that would affect its performance.

Ten-year Summary

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31				
	2007	2006	2005	2004	2003
	(Millions of yen)				
Revenue:					
Domestic	¥1,303,647	¥1,329,284	¥1,311,893	¥1,336,015	¥1,330,119
Overseas	1,478,879	1,338,211	1,215,481	1,230,710	1,181,802
Total	¥2,782,526	¥2,667,495	¥2,527,374	¥2,566,725	¥2,511,921
Cost of sales	1,638,337	1,593,804	1,510,681	1,503,843	1,474,551
Operating expenses:					
Selling, general and administrative	760,042	735,058	767,363	704,659	765,987
Research and development	177,004	182,154	168,017	173,323	159,119
Restructuring and other charges	94,081	86,043	—	—	—
Subsidy related to transfer of substitutional portion of employee pension fund liabilities	—	—	(83,129)	—	(52,136)
Operating income	113,062	70,436	164,442	184,900	164,400
Interest and dividend income	11,376	8,133	6,080	4,246	3,909
Interest expense	(6,351)	(3,886)	(4,668)	(5,459)	(6,674)
Income before income taxes	103,264	79,615	162,346	164,948	120,513
Income before minority interests and equity in net earnings of affiliated companies	43,731	44,591	98,457	92,659	60,230
Net income	34,446	37,016	84,500	82,317	48,579
Capital expenditures (Note 1)	¥ 165,159	¥ 179,808	¥ 157,420	¥ 160,740	¥ 127,319
Depreciation (Note 1)	146,325	156,928	130,360	124,634	126,695
Net cash provided by operating activities	297,276	272,558	219,361	327,358	303,500
Average number of shares outstanding (in thousands)	510,621	509,525	512,801	513,252	514,011
Total assets	¥3,319,102	¥3,027,491	¥2,983,457	¥3,023,509	¥2,958,317
Long-term debt	267,965	74,329	96,040	116,823	124,404
Total shareholders' equity	1,976,508	1,963,497	1,849,102	1,749,882	1,680,611
Number of employees	76,358	75,845	75,638	73,164	72,633
Per share of common stock (Yen/U.S. dollars)					
Net income (Note 2)	¥ 67.46	¥ 72.65	¥ 164.78	¥ 160.38	¥ 94.51
Cash dividends (Note 3)	25.00	25.00	25.00	25.00	25.00
Shareholders' equity (Note 4)	3,867.04	3,848.32	3,630.67	3,409.80	3,274.17
Stock price at year-end	4,820	3,930	3,920	3,310	3,640
PBR (Price-to-Book Value Ratio) (Times)	1.25	1.02	1.08	0.97	1.11
PER (Price-to-Earnings Ratio) (Times)	71.45	54.09	23.79	20.64	38.51
ROE (Return on Equity) (%)	1.7	1.9	4.7	4.8	2.9
ROA (Return on Asset) (%)	1.1	1.2	2.8	2.8	1.6

See notes on page 43.

Year ended March 31					
2002	2001	2000	1999	1998	2007
(Millions of yen)					(Thousands of U.S. dollars) (Note 5)
¥1,355,192	¥ 656,059	¥ 635,588	¥ 618,719	¥ 636,755	\$11,047,856
1,052,325	727,310	713,253	768,307	694,861	12,532,873
¥2,407,517	¥1,383,369	¥1,348,841	¥1,387,026	¥1,331,616	\$23,580,729
1,403,571	803,460	774,757	779,985	735,953	13,884,211
684,370	351,033	344,424	356,967	338,920	6,441,034
146,881	79,144	81,725	84,740	81,043	1,500,034
—	—	—	—	—	797,297
—	—	—	—	—	—
172,695	149,732	147,935	165,334	175,700	958,153
5,577	8,180	6,975	11,298	10,479	96,407
(9,289)	(11,093)	(9,957)	(11,994)	(11,524)	(53,822)
159,549	199,661	137,405	138,591	162,756	875,119
88,696	113,126	74,763	69,169	78,044	370,601
81,331	117,900	84,895	74,709	91,280	291,915
¥ 155,525	¥ 118,786	¥ 91,313	¥ 115,536	¥ 112,800	\$ 1,399,653
121,777	82,063	82,770	83,377	77,818	1,240,042
248,185	140,454	212,306	157,159	147,000	2,519,288
514,583	514,603	514,612	514,615	514,610	
¥2,946,362	¥2,830,313	¥2,235,812	¥2,165,695	¥2,173,989	\$28,127,983
137,446	81,246	20,897	47,363	53,113	2,270,890
1,698,063	1,624,856	1,575,065	1,489,194	1,463,014	16,750,068
72,569	70,722	37,151	37,551	36,580	
¥ 158.05	¥ 229.11	¥ 164.97	¥ 145.17	¥ 177.38	\$ 0.57
25.00	22.50	22.50	22.50	22.50	0.21
3,300.45	3,157.55	3,060.68	2,893.82	2,842.91	32.77
4,170	4,640	4,520	4,480	4,960	40.85
1.26	1.47	1.48	1.55	1.74	
26.38	20.25	27.40	30.86	27.96	
4.9	7.4	5.5	5.1	6.4	
2.8	4.7	3.9	3.4	4.3	

Notes:

- Figures do not include amounts for rental equipment handled by the Document Solutions segment.
- The computation of net income per share is based on the average number of shares outstanding during each period.
- Cash dividends per share represent the amount declared per share for the respective period.
- The computation of shareholders' equity per share is based on the number of shares outstanding at the end of each period.
- U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥118=US\$1, the exchange rate prevailing on March 31, 2007.
- At the end of March 2001, Fujifilm acquired an additional 25% of the outstanding shares of Fuji Xerox Co., Ltd., bringing its total shareholding to 75%. As a result, Fuji Xerox became a consolidated subsidiary of Fujifilm. In the financial statements for the Fujifilm Group for the year ended March 31, 2001, the balance sheet of Fuji Xerox was consolidated and the consolidated statements of income were accounted for by the equity method, with an ownership interest of 50% as in prior years. From the year ended March 31, 2002, the consolidated statements of income of Fuji Xerox were consolidated in the income statements.

Consolidated Balance Sheets

FUJIFILM Holdings Corporation and Subsidiaries

Assets	March 31		
	2007	2006	2007
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Current assets:			
Cash and cash equivalents	¥ 384,719	¥ 218,598	\$ 3,260,331
Marketable securities (Notes 4 and 9)	48,536	69,829	411,322
Notes and accounts receivable (Note 5):			
Trade and finance	597,985	548,586	5,067,670
Affiliated companies (Note 7)	23,952	33,272	202,983
Allowance for doubtful receivables	(16,345)	(15,543)	(138,517)
Inventories (Note 6)	393,594	385,463	3,335,542
Deferred income taxes (Note 11)	100,440	96,030	851,186
Prepaid expenses and other	52,368	36,225	443,797
Total current assets	1,585,249	1,372,460	13,434,314
Investments and long-term receivables:			
Investments in and advances to affiliated companies (Note 7)	44,782	54,283	379,508
Investment securities (Notes 4 and 9)	336,886	310,152	2,854,966
Long-term finance and other receivables (Note 5)	106,979	102,773	906,602
Allowance for doubtful receivables	(3,975)	(4,357)	(33,686)
Total investments and long-term receivables	484,672	462,851	4,107,390
Property, plant and equipment:			
Land	92,400	77,469	783,051
Buildings	634,045	602,585	5,373,263
Machinery and equipment	1,674,487	1,647,474	14,190,568
Construction in progress	44,444	41,742	376,644
	2,445,376	2,369,270	20,723,526
Less accumulated depreciation	(1,672,344)	(1,617,885)	(14,172,407)
Net property, plant and equipment	773,032	751,385	6,551,119
Other assets:			
Goodwill, net (Notes 8 and 17)	257,866	233,547	2,185,305
Other intangible assets, net (Notes 8, 10 and 17)	59,397	52,767	503,364
Deferred income taxes (Note 11)	53,798	38,217	455,915
Other (Note 10)	105,088	116,264	890,576
Total other assets	476,149	440,795	4,035,160
Total assets	¥3,319,102	¥3,027,491	\$28,127,983

U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥118=US\$1, the exchange rate prevailing on March 31, 2007.

Liabilities and shareholders' equity	March 31		2007 (Thousands of U.S. dollars) (Note 3)
	2007 (Millions of yen)	2006	
Current liabilities:			
Short-term debt (Note 9)	¥ 106,043	¥ 99,088	\$ 898,669
Notes and accounts payable:			
Trade	279,470	255,423	2,368,390
Construction	49,548	49,764	419,898
Affiliated companies (Note 7)	4,887	7,322	41,415
Accrued income taxes (Note 11)	41,034	36,547	347,746
Accrued liabilities (Notes 10 and 18)	225,848	214,993	1,913,966
Other current liabilities (Note 11)	74,534	59,769	631,645
Total current liabilities	781,364	722,906	6,621,729
Long-term debt (Notes 9 and 16)	267,965	74,329	2,270,890
Accrued pension and severance costs (Note 10)	84,510	44,215	716,186
Deferred income taxes (Note 11)	54,268	64,348	459,898
Customers' guarantee deposits and other (Note 7)	42,459	38,647	359,822
Minority interests in subsidiaries	112,028	119,549	949,390
Commitments and contingent liabilities (Note 14)			
Shareholders' equity (Note 12):			
Common stock, without par value:			
Authorized: 800,000,000 shares			
Issued: 514,625,728 shares	40,363	40,363	342,059
Additional paid-in capital	68,412	68,412	579,763
Retained earnings	1,840,168	1,818,610	15,594,644
Accumulated other comprehensive income (loss) (Notes 10 and 13)	40,950	52,917	347,034
Treasury stock, at cost (3,509,582 shares in 2007; 4,403,655 shares in 2006)	(13,385)	(16,805)	(113,432)
Total shareholders' equity	1,976,508	1,963,497	16,750,068
Total liabilities and shareholders' equity	¥3,319,102	¥3,027,491	\$28,127,983

See notes to consolidated financial statements

Consolidated Statements of Income

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31			
	2007	2006	2005	2007
	(Millions of yen)			(Thousands of U.S. dollars) (Note 3)
Revenue:				
Sales	¥2,399,636	¥2,300,842	¥2,172,003	\$20,335,898
Rentals	382,890	366,653	355,371	3,244,831
	2,782,526	2,667,495	2,527,374	23,580,729
Cost of sales:				
Sales	1,478,828	1,435,757	1,365,601	12,532,440
Rentals	159,509	158,047	145,080	1,351,771
	1,638,337	1,593,804	1,510,681	13,884,211
Gross profit	1,144,189	1,073,691	1,016,693	9,696,518
Operating expenses:				
Selling, general and administrative (Note 10)	760,042	735,058	767,363	6,441,034
Research and development	177,004	182,154	168,017	1,500,034
Restructuring and other charges (Note 18)	94,081	86,043	—	797,297
Subsidy related to transfer of substitutional portion of employee pension fund liabilities (Note 10)	—	—	(83,129)	—
Operating income	113,062	70,436	164,442	958,153
Other income (expenses):				
Interest and dividend income	11,376	8,133	6,080	96,407
Interest expense	(6,351)	(3,886)	(4,668)	(53,822)
Foreign exchange gains, net	6,746	7,526	1,862	57,169
Decline in value of investment securities	(23,946)	(122)	(304)	(202,932)
Other, net	2,377	(2,472)	(5,066)	20,144
	(9,798)	9,179	(2,096)	(83,034)
Income before income taxes	103,264	79,615	162,346	875,119
Income taxes (Note 11):				
Current	62,910	52,756	55,083	533,137
Deferred	(3,377)	(17,732)	8,806	(28,619)
	59,533	35,024	63,889	504,518
Income before minority interests and equity in net earnings of affiliated companies	43,731	44,591	98,457	370,601
Minority interests	(12,643)	(12,785)	(18,103)	(107,144)
Equity in net earnings of affiliated companies	3,358	5,210	4,146	28,458
Net income	¥ 34,446	¥ 37,016	¥ 84,500	\$ 291,915
		(Yen)		(U.S. dollars) (Note 3)
Amounts per share of common stock:				
Net income (Note 15) Basic	¥ 67.46	¥ 72.65	¥ 164.78	\$ 0.57
Diluted	65.04	72.65	164.78	0.55
Cash dividends declared	25.00	25.00	25.00	0.21

See notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

FUJIFILM Holdings Corporation and Subsidiaries

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity
(Millions of yen)						
Balance at March 31, 2004	¥ 40,363	¥ 68,135	¥1,722,692	¥ (76,121)	¥ (5,187)	¥1,749,882
Comprehensive income:						
Net income	—	—	84,500	—	—	84,500
Net increase in unrealized gains on securities (Note 13)	—	—	—	2,948	—	2,948
Foreign currency translation adjustments (Note 13)	—	—	—	12,669	—	12,669
Minimum pension liability adjustments (Note 13)	—	—	—	26,801	—	26,801
Change in net unrealized gains (losses) on derivatives (Note 13)	—	—	—	178	—	178
Net comprehensive income						127,096
Purchases of stock for treasury	—	—	—	—	(15,370)	(15,370)
Sales of stock from treasury	—	—	(25)	—	301	276
Dividends applicable to earnings of the year	—	—	(12,782)	—	—	(12,782)
Balance at March 31, 2005	40,363	68,135	1,794,385	(33,525)	(20,256)	1,849,102
Comprehensive income:						
Net income	—	—	37,016	—	—	37,016
Net increase in unrealized gains on securities (Note 13)	—	—	—	27,311	—	27,311
Foreign currency translation adjustments (Note 13)	—	—	—	37,323	—	37,323
Minimum pension liability adjustments (Note 13)	—	—	—	21,822	—	21,822
Change in net unrealized gains (losses) on derivatives (Note 13)	—	—	—	(14)	—	(14)
Net comprehensive income						123,458
Purchases of stock for treasury	—	—	—	—	(80)	(80)
Sales of stock from treasury	—	—	(46)	—	3,531	3,485
Dividends applicable to earnings of the year	—	—	(12,745)	—	—	(12,745)
Other	—	277	—	—	—	277
Balance at March 31, 2006	40,363	68,412	1,818,610	52,917	(16,805)	1,963,497
Comprehensive income:						
Net income	—	—	34,446	—	—	34,446
Net decrease in unrealized gains on securities (Note 13)	—	—	—	(6,888)	—	(6,888)
Foreign currency translation adjustments (Note 13)	—	—	—	27,539	—	27,539
Minimum pension liability adjustments (Note 13)	—	—	—	(13,729)	—	(13,729)
Change in net unrealized gains (losses) on derivatives (Note 13)	—	—	—	(2)	—	(2)
Net comprehensive income						41,366
Adjustment to initially apply SFAS 158, net of tax (Note 10)	—	—	—	(18,887)	—	(18,887)
Purchases of stock for treasury	—	—	—	—	(711)	(711)
Sales of stock from treasury	—	—	(122)	—	4,131	4,009
Dividends applicable to earnings of the year	—	—	(12,766)	—	—	(12,766)
Balance at March 31, 2007	¥ 40,363	¥ 68,412	¥1,840,168	¥ 40,950	¥(13,385)	¥1,976,508

(Thousands of U.S. dollars) (Note 3)

Balance at March 31, 2006	\$342,059	\$579,763	\$15,411,949	\$448,449	\$(142,415)	\$16,639,805
Comprehensive income:						
Net income	—	—	291,915	—	—	291,915
Net decrease in unrealized gains on securities (Note 13)	—	—	—	(58,373)	—	(58,373)
Foreign currency translation adjustments (Note 13)	—	—	—	233,381	—	233,381
Minimum pension liability adjustments (Note 13)	—	—	—	(116,347)	—	(116,347)
Change in net unrealized gains (losses) on derivatives (Note 13)	—	—	—	(17)	—	(17)
Net comprehensive income						350,559
Adjustment to initially apply SFAS 158, net of tax (Note 10)	—	—	—	(160,059)	—	(160,059)
Purchases of stock for treasury	—	—	—	—	(6,025)	(6,025)
Sales of stock from treasury	—	—	(1,034)	—	35,008	33,974
Dividends applicable to earnings of the year	—	—	(108,186)	—	—	(108,186)
Balance at March 31, 2007	\$342,059	\$579,763	\$15,594,644	\$347,034	\$(113,432)	\$16,750,068

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31			
	2007	2006	2005	2007
		(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities				
Net income	¥ 34,446	¥ 37,016	¥ 84,500	\$ 291,915
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	215,429	225,434	182,286	1,825,669
Impairment losses for long-lived assets and goodwill (Note 18)	12,202	42,121	—	103,407
Decline in value of investment securities	23,946	122	304	202,932
Deferred income taxes	(3,377)	(17,732)	8,806	(28,619)
Minority interests	12,643	12,785	18,103	107,144
Equity in net earnings of affiliated companies, less dividends received	(1,987)	(3,899)	(2,031)	(16,839)
Subsidy related to transfer of substitutional portion of employee pension fund liabilities (Note 10)	—	—	(83,129)	—
Changes in operating assets and liabilities:				
Notes and accounts receivable	(9,637)	(7,223)	19,593	(81,669)
Inventories	10,976	15,118	(5,964)	93,017
Notes and accounts payable—trade	12,700	(33,486)	(23,320)	107,627
Accrued income taxes and other liabilities	1,326	(9,909)	20,869	11,237
Other	(11,391)	12,211	(656)	(96,533)
Net cash provided by operating activities	297,276	272,558	219,361	2,519,288
Investing activities				
Purchases of property, plant and equipment	(172,572)	(186,980)	(150,915)	(1,462,475)
Purchases of software	(20,483)	(16,693)	(33,050)	(173,585)
Proceeds from sales and maturities of marketable and investment securities and other investments	109,116	83,629	40,733	924,712
Purchases of marketable and investment securities and other investments	(146,911)	(58,757)	(85,287)	(1,245,008)
(Increase) decrease in investments in and advances to affiliated companies	1,383	(19,237)	(1,156)	11,720
Acquisitions of businesses and minority interests, net of cash acquired	(45,741)	(40,587)	(58,010)	(387,636)
Other	(22,793)	(33,504)	(24,716)	(193,160)
Net cash used in investing activities	(298,001)	(272,129)	(312,401)	(2,525,432)
Financing activities				
Proceeds from long-term debt	200,568	1,728	1,940	1,699,729
Repayments of long-term debt	(29,725)	(21,452)	(19,085)	(251,907)
Increase (decrease) in short-term debt, net	6,120	(43,119)	(31,042)	51,864
Cash dividends paid	(12,754)	(12,734)	(12,831)	(108,085)
Subsidiaries' cash dividends paid to minority interests	(5,220)	(4,941)	(7,091)	(44,237)
Net sales (purchases) of stock for treasury	(702)	209	(15,297)	(5,949)
Net cash provided by (used in) financing activities	158,287	(80,309)	(83,406)	1,341,415
Effect of exchange rate changes on cash and cash equivalents	8,559	10,321	2,839	72,534
Net increase (decrease) in cash and cash equivalents	166,121	(69,559)	(173,607)	1,407,805
Cash and cash equivalents at beginning of year	218,598	288,157	461,764	1,852,526
Cash and cash equivalents at end of year	¥384,719	¥218,598	¥288,157	\$ 3,260,331
Supplemental disclosures of cash flow information				
Cash paid for:				
Interest	¥ 6,514	¥ 5,640	¥ 6,838	\$ 55,203
Income taxes	63,302	50,811	69,460	536,458

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FUJIFILM Holdings Corporation and Subsidiaries March 31, 2007

1. Nature of Operations

FUJIFILM Holdings Corporation (the "Company") is engaged in imaging, information and document solutions. "Imaging Solutions" develops, manufactures, markets and services color films, digital cameras, photofinishing equipment, color paper, chemicals and services for photofinishing and related products. "Information Solutions" develops, manufactures, markets and services equipment and materials for medical systems and life sciences, equipment and materials for graphic arts, flat panel display materials, recording media, optical devices, electronic materials, inkjet materials and related products. "Document Solutions" develops, manufactures, markets and services office copy machines/multifunction devices, printers, production systems and services, paper, consumables, office services and other related products and services. The Company and its subsidiaries operate throughout the world, generating approximately 53% of its worldwide revenue outside Japan, predominantly in North America, Europe and Asia. The Company's principal manufacturing operations are located in Japan, the United States of America, Brazil, Germany, the Netherlands, Singapore and China.

On October 1, 2006, for the purpose of establishing a new group management structure and aiming toward new growth strategies, Fuji Photo Film Co., Ltd. moved to a holding company structure and changed its name to "FUJIFILM Holdings Corporation." The former business of Fuji Photo Film Co., Ltd. was transferred to the newly created operating company "FUJIFILM Corporation."

2. Summary of Significant Accounting Policies

The Company and its domestic subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. The Company's foreign subsidiaries maintain their records and prepare their financial statements in conformity with the conventions of their countries of domicile. Certain reclassifications and adjustments have been incorporated in the accompanying consolidated financial statements to conform them to accounting principles generally accepted in the United States of America. These adjustments have not been recorded in the Company's or subsidiaries' statutory books of account.

Significant accounting policies, after reflecting the adjustments referred to above, are summarized as follows:

Principles of Consolidation and Accounting for Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all entities that the Company directly or indirectly controls. All significant intercompany transactions and accounts have been eliminated.

The Company's investments in affiliated companies (20% to 50% owned companies), in which the ability to exercise significant influence exists, are accounted for by the equity method. Consolidated net income includes the Company's equity in the current net earnings or losses of such companies after the elimination of unrealized intercompany profits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the valuation of trade receivables, inventories, and deferred income tax assets, the valuation and determination of useful lives and depreciation or amortization method for property, plant and equipment and intangible assets, and assumptions related to the estimation of actuarial determined employee benefit obligations. Actual results could differ from those estimates.

Foreign Currency Translations

The Company's foreign subsidiaries generally use the local currency as their functional currency. Accordingly, assets and liabilities are translated into the reporting currency using exchange rates in effect at the balance sheet date and income and expenses are translated using average exchange rates prevailing during the year. Adjustments resulting from this translation process are accumulated in other comprehensive income (loss), a separate component of shareholders' equity.

Assets and liabilities denominated in currencies other than the functional currency are remeasured into the functional currency using exchange rates in effect at the respective balance sheet dates with the resulting gains or losses included in operations.

Cash Equivalents

The Company considers all highly liquid investments which are readily convertible into cash and that have original maturities of three months or less to be cash equivalents.

Marketable Securities and Investment Securities

The Company has designated their marketable securities and investment securities as available-for-sale, which are carried at their fair value with changes in unrealized gains or losses reported in other comprehensive income (loss), net of applicable taxes. The Company records an impairment charge to earnings when a decline in value of the marketable security is deemed to be other-than-temporary. In determining whether such a decline is other-than-temporary, the Company evaluates various factors including the length of time, the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the investee as well as the Company's intent and ability to retain the investment for a period of time sufficient to allow any expected recovery in fair value. The cost of securities sold is based on the moving-average-cost method. Dividends on available-for-sale securities are included in "Interest and dividend income" in the accompanying consolidated statements of income.

Allowance for Doubtful Receivables

Allowances for doubtful trade, finance and other receivables are determined based on a combination of historical experience, aging analysis and any specific factors affecting customer accounts.

Inventories

Inventories are valued at the lower of cost or market with cost being determined principally by the moving-average method. Periodically, the Company reviews inventories for obsolete, slow-moving or excess amounts and if required, provides an allowance to recognize their estimated net realizable values.

Property, Plant and Equipment and Depreciation

Property, plant and equipment is carried at cost, less accumulated depreciation computed primarily by the declining-balance method and, for certain foreign subsidiaries, by the straight-line method. Estimated useful lives for buildings are primarily 15 to 50 years and for machinery and equipment are 2 to 15 years.

Machinery and equipment includes machines rented to customers under operating leases with a cost and accumulated depreciation of ¥99,256 million (\$841,153 thousand) and ¥70,950 million (\$601,271 thousand) as of March 31, 2007 and ¥88,471 million and ¥57,063 million as of March 31, 2006, respectively.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. Other intangible assets principally consist of costs allocated to technology-based intangibles, customer-related intangibles and long-term product supply agreements.

Under Statement of Financial Accounting Standards Board ("SFAS") No.142 "Goodwill and Other Intangible Assets," goodwill and other indefinite lived intangible assets are tested annually, as of January 1, for impairment. Impairment tests for goodwill are performed based on the present value of estimated future cash flows of each reporting unit. The discount rate used is based on the reporting unit's weighted average cost of capital. In addition to the annual impairment test, an interim test for goodwill impairment would be performed if events occur or circumstances indicate that the carrying value may not be recoverable. Intangible assets other than those with an indefinite life are amortized on a straight-line basis over their estimated useful lives.

Capitalized Software Costs

The Company capitalizes certain software development costs in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The Company also follows accounting guidelines as specified in SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the software of 3 to 5 years. Total capitalized software costs and accumulated amortization amounted to ¥170,272 million (\$1,442,983 thousand) and ¥82,373 million (\$698,076 thousand), respectively, as of March 31, 2007 and ¥162,126 million and ¥66,889 million, respectively, as of March 31, 2006. Capitalized software costs to be sold and accumulated amortization, included in the above, amounted to ¥30,695 million (\$260,127 thousand) and ¥17,827 million (\$151,076 thousand), respectively, as of March 31, 2007 and ¥26,094 million and ¥14,505 million, respectively, as of March 31, 2006. Capitalized software costs are included in other assets.

Impairment of Long-lived Assets

The Company reviews long-lived assets, excluding goodwill and other intangible assets not being amortized, for impairment whenever events or changes in business circumstances indicate the carrying amount of the assets may not be fully recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the assets would be compared to the assets' carrying amount to determine if a writedown is required. If this evaluation indicates that the assets will not be recoverable, the carrying value of the assets would be reduced to their estimated fair value. In determining the fair value, the Company uses quoted market prices in active markets or other valuation methods, if quoted market prices are unavailable, primarily based on the estimated discounted future cash flows expected to result from the use of the assets and their eventual disposition.

Long-lived assets to be disposed of by sale are evaluated at the lower of carrying amount or fair value less cost to sell.

Revenue Recognition

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the products or services have been provided to customers, the sales price is fixed or determinable, and collectibility is reasonably assured.

The above conditions are generally met when products are delivered to customers for product sales, services are performed or at the inception of leases for revenue from sales-type leases. Interest income on sales-type leases is recognized using the effective interest method with the allocation based on the net investment in outstanding leases and is included in revenue. Rentals from operating leases are recognized as earned over the respective lease terms.

Costs incurred by the Company in connection with sales incentives related to purchase or promotion of the Company's products are classified as reduction of revenue in accordance with Emerging Issues Task Force ("EITF") 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." Such costs include the estimated cost of promotional discount, dealer price protection, dealer volume rebates and cash discounts. These costs are mainly based on claims from customers/dealers or amount calculated in accordance with agreements.

The Company sells certain products and services under bundled contract agreements which contain multiple deliverable elements as defined in EITF 00-21, "Revenue Arrangements with Multiple Deliverables." The Company has recognized revenue from the sale of such products upon delivery and acceptance by customers and such services upon customers' usage.

Product Warranties

The Company provides product warranties for certain of its products. These warranties generally extend for periods of one year from the date of sale. A liability for expected warranty costs and additional service actions is accrued at the time that the related revenue is recognized. In estimating the warranty liability, historical experience is considered.

Shipping and Handling Costs

Shipping and handling costs of ¥75,232 million (\$637,559 thousand), ¥67,676 million and ¥60,511 million for the years ended March 31, 2007, 2006 and 2005, respectively, are included in selling, general and administrative expenses in the consolidated statements of income.

Advertising Costs

Advertising costs are expensed as incurred and included in selling, general and administrative expenses. Advertising expenses amounted to ¥34,928 million (\$296,000 thousand), ¥39,380 million and ¥47,561 million for the years ended March 31, 2007, 2006 and 2005, respectively.

Income Taxes

Income taxes have been provided using the liability method in accordance with SFAS No. 109, "Accounting for Income Taxes."

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. A valuation allowance is recognized to reduce the deferred tax assets to the amount that is considered more likely than not to be realized.

Consumption Taxes

Revenues, costs and expenses on the consolidated statements of income do not include consumption taxes.

Derivative Financial Instruments

The Company recognizes all derivative financial instruments, such as interest rate swaps, cross currency interest rate swaps, forward foreign exchange contracts, and currency swaps in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income (loss), net of deferred taxes. Changes in fair values of derivatives, which are not designated or qualified as hedges, are reported in income.

Net Income per Share

The amounts of basic net income per share are based on the weighted average number of shares of common stock outstanding during the year.

Diluted net income per share reflects the potential dilution and has been computed on the basis that all conversion rights of the Euroyen convertible bonds were exercised and outstanding.

Reclassification

Certain reclassifications to prior years' consolidated financial statements and related footnote amounts have been made to conform with the presentation in the current year.